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SUBJECT: FRENCH APPRECIATE USG OVERTURE ON WTO TRADE IN
SERVICES

11. (SBU) SUMMARY. French services negotiators told USG negotiators they appreciated the visit by the USG's WTO services negotiators and told them that France shared the United States' high-level of ambition. GOF officials told acting Assistant USTR Christine Bliss February 2 that they saw considerable convergence with U.S. positions on services, particularly financial, telecom, distribution, energy and environment and construction services. They also expressed some concern that cooperation between the US and the EU could frighten key markets such as Brazil, India and the ASEAN countries into not making concessions. The French also appreciated the Usdel's insights on its discussions with the European Commission (EC) and indicated interest in further informal bilateral consultations regarding the EC's positions on services.

12. (U) Acting USTR for Services Christine Bliss and Director for Services negotiations Christopher Melly briefed French officials February 1, accompanied by USEU's Christopher Wilson and Paris Emboff Adam Shub. The French side was led by Vincent Guitton, head of the Investment, Services and IP, his deputy Aymeric Ducrocq, Helene Pelosse, Unit chief for trade at the Prime minister's office for the coordination of European Affairs (SGAE), and her staffers Cecile Mahe for services and Alain Le Dortz for financial services.

EMERGING ECONOMIES ARE U.S. TARGET

13. (SBU) U.S. officials strongly rebutted the contention of the European Commission that the U.S. has lost ambition in the services component of the Doha negotiations. They explained the high level of U.S. ambition for the services negotiations and outlined the sectors and markets that the U.S. saw as vital. These included financial services such as banking, securities, insurance services, telecom services (both basic and value-added), distribution, computer, energy, environmental, construction, engineering as well as some professional services (such as legal). AUSTR Bliss said that the U.S. target markets were the 13-14 key emerging economies such as Brazil, India, China, South Korea, the ASEAN nations (Thailand, Malaysia) Egypt, South Africa, Turkey, Argentina and Mexico.

14. (U) On audiovisual services, Guitton told US officials that France and the EU had only defensive interests and "no margin of progress". Bliss told the GOF that U.S. negotiators understood the sensitivity of the issue. She noted that on telecom services, there were nevertheless some content coverage issues that needed to be resolved.

15. (U) Guitton told us that France was pleased to hear that the U.S. interest in services was high. He said France shared the U.S.'s high level of ambition for services and saw considerable "convergences" on both sectors and target countries. He said France considered financial services, telecom, distribution, environmental, tourism and construction services as its core interests. Energy services were somewhat problematic and express delivery services were more interesting on the postal side for them than on the delivery side.

16. (SBU) In the financial services sector, Guitton said that France sought the removal of the foreign equity caps. On insurance services, France has offensive interests in the U.S. market, including elimination of the obligation to collateralize exposure for reinsurance, and greater harmonization of state-level insurance regulation (although Guitton acknowledged that France understands U.S. limitations on the latter point). Bliss responded that such matters are not within the scope of the current negotiation as they concern the right to regulate. On Mode 4 (movement of people), the Commission has both offensive and defensive interests, but greater flexibility on unskilled labor will be a political issue. In terms of key markets, the EC is looking at the U.S. in addition to the other emerging

markets such as China, India. In India, France wants to assure predictability and transparency. Bliss stressed that while U.S. offensive market access interests were generally focused on advanced developing economies, the U.S. would also like to see improvements in access to the EU market in a number of areas including energy, professional, distribution and value-added telecommunications services.

FRENCH HOPE TO CONTINUE INFORMAL CONTACTS

17. (SBU) Guitton and his deputy Aymeric Ducrocq agreed that it would be useful to continue to have informal contacts but worried that the US and the EU working together might frighten off key developing countries. The two sides reviewed events at the recent Hong Kong ministerial regarding services. Ducrocq and Guitton indicated that the Commission's actions were not always clear to them either.

18. (SBU) The two sides also exchanged views on procedural and tactical issues surrounding the services negotiations. Guitton asserted that France and the EC felt that the U.S. did not adequately support the EC's pre-Hong Kong concept of numerical targets for measuring progress in the services negotiations. Bliss responded that the U.S. was convinced that this concept threatened to "explode" the negotiations by alienating large numbers of developing country WTO members. With respect to the post-Hong Kong effort to produce plurilateral market access requests in specific sectors, Guitton offered the French view that it would be important to concentrate this exercise on a relatively limited number of priority sectors so as not to overload the process "scare away" developing countries. The U.S. negotiators broadly agreed with this point, but noted U.S. expectations that the plurilateral request exercise would still be the most effective approach.

19. (U) This cable was cleared by USTR.
STAPLETON